



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

AGRICULTURAL EXTENSION DIVISION
UNIVERSITY OF MINNESOTA

F. W. Peck, Director

MINNESOTA FARM BUSINESS NOTES

No. 169

January 20, 1937

Prepared by the Division of Agricultural Economics
University Farm, St. Paul, Minnesota

FARM PROGRAM FOR 1937
Prepared by Andrew Boss

Prospects for a good farm year in 1937 are brighter than they have been in any year since 1929. World prices, as well as domestic prices, are rising, and foreign demand improving slightly in spite of trade barriers, quotas and trade agreements. While there is no prospect of greatly expanded foreign trade, any gains made, however small, are a step toward eventual restoration or equalization. Some progress has been made toward leveling out trade barriers, and government policies in some of the principal nations are stimulating employment and output. Increasing purchasing power in the United States is stimulating the purchase by manufacturers of raw materials not produced domestically. These matters all tend to strengthen the foreign situation, though not to the point as yet, where significant purchases from the United States have resulted.

Most authorities agree that domestic demands for agricultural commodities will be better in 1937 than they were in 1936. Some estimate a ten per cent increase in purchasing power, with a step-up also of ten per cent in industrial production. Should these prophecies prove good it will result in greater domestic consumption and in the maintenance, if not still further stimulation, of present price levels. Prices have been rising steadily since 1933 due to curtailed production arising from two drought years out of the three, and the controlled production programs promulgated by the Federal Administration. As a result of these forces, the purchasing power of farm commodities is now only ten points below price levels of the goods which farmers buy.

Cost of production will rise somewhat this year due to increasing wage levels for labor and increasing prices for raw materials. Since farmers and their families supply most of the farm labor and since their purchases in any one year need not be large, it may be said, however, that price relationships and prospects on the whole favor agriculture this year.

Need for Caution

Were foreign relationships and markets as of old it would be safe to resume full production on agricultural commodities. Since, however, foreign relationships are not what they were, since there is as yet no serious shortage of any major commodity, and since full acreage production with favorable weather conditions might easily result in domestic surpluses which could not be absorbed at prevailing prices, there is still urgent need for caution in laying out the production program for the year.

Foundation for the Program

Livestock prices, except for poultry, and grain prices are at the present time relatively well in balance. While grain prices are too high to permit intensive feeding of many classes of livestock, good returns can be made on moderate feeding of concentrates in combination with good quality roughages. However, livestock prices are likely to remain high longer than are grain prices. A normal feed grain crop will result in lower feed prices by fall and a more favorable ratio for meat making and milk production. For this reason, livestock and livestock products should receive first consideration in building this year's farm program.

Most farmers who have been continuous operators have developed an arrangement of crop production and livestock that is in balance for the farm being operated. Where that has been done, changes from the established plan should be made but slowly, and only when the farmer is satisfied that the change will be for the better. The established organization should be preserved on the whole and such changes as are made should be confined to the minor enterprises. In very few instances is an operator warranted in deviating from the plan which has normally proved satisfactory, or in parting with his foundation herds and flocks. Some expansion in certain lines or reduction in others may be wise, if indicated by a careful study of outlook reports and long-time estimates of probable production and demand.

Livestock Production Program

The outlook for hog production is especially good this year. Hog prices are at high levels at the present time and are likely to continue so until late in the fall or possibly until well into 1938. Because of rapid growth, quick maturity and ready market returns, income can be realized more quickly on hogs than on most other kinds of livestock. Attention should be given to cutting production costs by providing early and ample pasturage of good quality and by raising early grains for pushing the coming hog crop along to early market. Brood sows can be carried with only a little grain if they are provided with good alfalfa or clover pasture. Where these have not been provided, a substitute can be provided in the form of oats and Dwarf Essex Rape, sown just as early in the spring as land can be worked. These will provide feed in five or six weeks and furnish good quality pasturage until mid-summer.

Early grain feed can be provided by sowing smooth awned barley or an early variety of oats very early in the spring. These should be sown where they can be conveniently hogged off when mature, which should be by mid-July or earlier in an early season. While the yield may not be so large as that of corn, grain feed will be provided a month or six weeks earlier than can be done by growing a corn crop. In some sections of the state a part of the winter wheat crop may be set aside for hogging off to very good advantage. March and April farrowed pigs, or even early May pigs when weaned, will be ready to make good use of such crops and will come ahead for the market more rapidly than if hand-fed. A piece of early Flint or sweet corn likewise should be planted to supplement the early grain crop hogged off. The early corn can be ready to pasture by August 15, or at the latest by September 1. Grain and corn handled in this way may do much to reduce the cost of hog production.

Dairy cattle hold an important place in the production program on many farms in Minnesota. While it is probable that 1937 will be a more satisfactory year for dairymen than was 1936, it does not appear wise to increase production materially. Economy of production rather than increased production should be the objective toward which the program is laid. This will call for providing more good quality pasture and hay, a longer pasturing season, if possible, and rations composed of high quality roughage with relatively low grain concentrates in the ration. An additional cow or two in the herd, with the product made largely on pasture, alfalfa or mixed hay, and a minimum of grain concentrates, may result in the greatest

net profit in dairy production this year. Emergency pastures should be provided if needed.

Beef cattle numbers have been considerably reduced during the past two or three years because of drought effects and feed shortages. Careful estimates indicate that it will take two years or more to catch up on cattle numbers. In the meantime price levels should remain favorable. As with dairy cattle, a rapid expansion would be undesirable and a conservative rather than extensive program of production should be the rule. Limited production with good prices is much more favorable to the producers than unlimited production with low prices.

The national soil building program indicates more grass and forage crops than in the past. As a matter of economy in production, farmers should employ more pasture and forage crops in growing their livestock, regardless of the national program. More attention to pastures and the provision of better quality hay and forage crops would result in greater profits from beef raising. Until foreign markets are established for grain products and better outlets are found for meat products, a low pressure system of livestock raising will be advisable. The larger supplies of grass lands that will become available can be best made to yield an income by stocking conservatively with beef cattle. That beef can be made economically and profitably on a minimum of grain has been demonstrated repeatedly throughout the British Isles. Oats straw, turnips, and nut and bean cake are commonly fed there in combination with good pastures. While we can not supply the bean cake nor the turnips, we can provide the pasture, forage and oats straw and a plentiful supply of soybean cake with barley and oats as the finishing feeds. Usually there is corn, also, to fall back on for the finishing period if needed.

Sheep have given satisfactory returns for several years. Present price levels for mutton and wool indicate that sheep raising has not yet been overdone in the Corn Belt region. There is nothing in the picture to indicate that the production of sheep should be restricted this year. In all probability there is justification for some increase in production, particularly on those farms where the proportions of grass and forage are increased, and where the dairy cows and beef cattle do not require all of the forage provided. On those farms where sheep should be included to balance the farm business, a start may as well be made this year as any.

Higher feed prices have discouraged poultrymen to some extent in the past year. Low prices for finished poultry were paid this winter also, offering another discouraging feature. It is probable that these two facts are sufficiently fresh in the minds of producers to prevent any significant expansion in production. It is probable that lower feed prices which will follow a normal crop, and somewhat better demand due to increased purchasing power, will make 1937 a more profitable and satisfactory year than 1936 has been for poultry raisers.

Horses are at present in fairly strong demand and at good prices. Farmers are justified in producing replacement stock and possibly in building up a small supply for use outside of the farm. The increasing favor for motor and truck transportation and for tractor power on farms limits the market for horses in the future and offers little encouragement for entering into horse production on a large scale.

The Cropping Plan

Because this promises to be a good livestock year, feed crops should receive careful attention in the cropping plan. Early grain feed crops, such as barley and early oats, demand first place, with a view to providing grain for finishing purposes early in the season. More high protein feed crops should be grown than are grown on most farms. Soybeans should hold a larger place among the feed crops. Soybean hay, cut as the pods are half filled, makes an excellent dairy

or sheep feed. The mature beans fed in limited quantities as a protein supplement to growing hogs and cattle will give excellent results. In combination with corn they give a balance badly needed. Southern Minnesota farmers should give them a trial this year. Where pasture and hay stands have been hurt by the drought, emergency crops should be provided. Combinations of oats, barley and fall rye, sown early in the spring, will provide quick pasture. For hogs and sheep, and for all except dairy cattle, two or three pounds of Dwarf Essex Rape may well be included with the combination. For early hay, the oat crop, either alone or in combination with barley or wheat, will be satisfactory. As a matter of erosion prevention and soil building on many farms, a larger proportion of the land should go permanently into pastures and meadows. The adjustment or benefit payments will amply compensate for the grass seed required in making the start. Beyond that lies the opportunity of improving the land and increasing farm income.

There is no waste, necessarily, in providing more pasture than is needed and a liberal supply of hay. Even though some grass should be left over and allowed to stand on the land there may be no waste. The grass cover thus provided is good for the land and if allowed to settle down on it will provide humus and prevent evaporation. A few years of that kind of treatment of pasture land would undoubtedly result in better stands of grass, greater resistance to drought, and more permanently satisfactory pastures. Should grass be allowed to stand on the land and run over winter, it is a mistake to burn it off. A better practice calls for clipping it and allowing the clippings to lie on the land as a mulch. More pasture and ample hay of good quality are the foundations on which economical livestock production may be built.

Corn has always held a large place among the feed crops in Minnesota. The federal soil conservation program this year calls for some limitation. This requirement would seem to be well founded. Corn fields usually wash badly and heavy crops taken from them remove more fertility than the lighter cereal crops. The corn crop also requires more labor than small grain crops, thus adding to the labor costs for operating the farm. It is probable that a larger proportion of the land in grass and good hay for forage, and less in corn, will result in quite as economical and satisfactory livestock production. That an acre of alfalfa, or other good legume hay, will provide more total digestible nutrients per acre than corn has been demonstrated frequently. As a matter of cooperating in the federal program and in really improving cropping systems on many farms, grass and legumes this year may well be substituted for a portion of the corn crop. This statement, however, should not be construed to mean that an adequate supply of good ear corn or other feed grains for fall and winter feeding should not be provided.

The Cash Crops

While outlook reports and study of world supplies indicate that a normal crop in 1937 will result again in surplus wheat, it would seem that there is no better cash crop for farmers in the spring wheat belt than either Durum or hard red spring wheat. While crop estimates indicate a large acreage of hard red winter wheat in the southwest, recent reports indicate that because of the drought last fall production may again be low. Serious drought last year over much of the spring wheat area has resulted in deficient soil moisture. A large crop over the area is highly improbable. In any event, supplies of spring wheat and Durum wheat which have usually commended a premium are short, without much prospect of a damaging surplus during the year ahead. Therefore, farmers in Minnesota having land not needed in providing for the livestock program, and situated in a region where spring wheat usually does well, will probably be speculating on the right side if they put in a fair acreage of spring wheat. This may be either the hard red variety or the Durum variety, depending on the locality and the market to be served.

Flax and brewing barley stand about an equal show of meeting a fair market. Supplies of flax in the United States are unusually low, owing to poor crops during the past two or three years. The present Argentine crop is large, however, and may affect the American market. Present indications are, however, for a good demand for flax next fall and those on land where flax normally does well are justified in sowing a liberal acreage. Those living in barley-growing territory may do quite as well to grow barley as to grow flax. Early barley, whether for brewing or feeding purposes, is almost sure to bring a good price. As the full crop comes on to the market, however, prices are likely to lower with barley selling in competition with other feed crops. Wheat, flax and barley are the only cash crops of major consequence that can be grown to advantage on Minnesota farms.

Potatoes, sugar beets and the special canning crops deserve consideration in many localities. These crops also have been short in the years past and stocks are well exhausted. It is probable, therefore, that normal production of these crops in localities where they can be grown successfully, and where there are facilities for working them up or marketing them, will pay satisfactory returns.

As stated in the opening paragraph, prospects indicate a good year in agriculture. That fact, however, should not be taken as a guarantee of good returns from farming. A well balanced program, with livestock adjusted to feed supplies and facilities for handling, with crops distributed in proportion to needs, and with careful attention to quality and markets to be served, is still essential for a good gross income and a satisfactory net profit. The premium as usual will be on good management.

MINNESOTA FARM PRICES FOR DECEMBER 1936
Prepared by W. C. Waite and W. B. Garver

The index number of Minnesota farm prices for the month of December 1936 was 93.6. When the average of farm prices of the three Decembers 1924-25-26 is represented by 100, the indexes for December of each year from 1924 to date are as follows:

December 1924 - 92	December 1931 - 50
" 1925 - 104	" 1932 - 36
" 1926 - 104	" 1933 - 41
" 1927 - 95	" 1934 - 67
" 1928 - 95	" 1935 - 79*
" 1929 - 96	" 1936 - 94*
" 1930 - 73	

*Preliminary

The price index of 93.6 for the past month is the net result of increases and decreases in the prices of farm products in December 1936 over the average of December 1924-25-26 weighted according to their relative importance.

Average Farm Prices Used in Computing the Minnesota Farm Price Index,
December 15, 1936, with Comparisons*

	Dec. 15, 1936	Nov. 15, 1936	Dec. 15, 1935	Av. Dec. 1924-25- 26	% Dec. 15, 1936 is of Nov. 15, 1936	% Dec. 15, 1936 is of Dec. 15, 1935	% Dec. 15, 1936 is of Dec. 15, 1924-25-26
Wheat	\$1.29	\$1.23	\$1.00	\$1.43	105	129	90
Corn	1.00	.98	.42	.67	102	138	149
Oats	.44	.39	.20	.38	113	220	116
Barley	.97	.93	.36	.60	104	269	162
Rye	.88	.75	.37	.96	117	238	92
Flax	1.96	1.90	1.60	2.31	103	123	85
Potatoes	1.05	1.00	.38	.96	105	276	109
Hogs	9.10	8.70	8.90	9.70	105	102	107
Cattle	6.20	6.40	5.90	5.49	97	105	113
Calves	8.00	7.40	8.20	8.18	108	98	98
Lambs-sheep	7.56	7.56	8.58	11.33	100	88	67
Chickens	.094	.100	.146	.162	94	64	58
Eggs	.274	.296	.250	.44	93	110	106
Butterfat	.36	.35	.34	.49	103	106	73
Hay	8.22	8.02	5.06	12.45	102	162	66
Milk	1.95	1.92	1.66	2.32	102	117	84

*Except for milk, these are the average prices for Minnesota as reported by the United States Department of Agriculture.

Indexes and Ratios of Minnesota Agriculture*

	Dec. 1936	Nov. 1936	Dec. 1935	Av. Dec. 1924-26
U.S. farm price index	93.0	88.0	81.0	100.0
Minnesota farm price index	94.0	93.0	79.0	100.0
U.S. purchasing power of farm products	111.0	105.0	101.0	100.0
Minnesota purchasing power of farm products	112.0	111.0	99.0	100.0
U.S. hog-corn ratio	9.5	9.2	16.5	13.3
Minnesota hog-corn ratio	9.2	8.9	21.2	15.7
Minnesota egg-grain ratio	14.8	16.8	22.8	26.7
Minnesota butterfat-farm-grain ratio	22.0	22.9	49.5	42.6

*Explanations of the computation of these data are given in Farm Business Notes No. 144.